

Internal Revenue Service

District
Director

Department of the Treasury

230 South Dearborn Street
Chicago, Illinois 60604

Employer Identification Number: [REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to:

Internal Revenue Service
[REDACTED]

CERTIFIED
[REDACTED]

Date: APR 15 1993

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses you were incorporated on [REDACTED] under the business corporation laws of the State of [REDACTED].

The purpose of your organization as stated in your Articles of Incorporation is "To provide boat access and docking facilities for [REDACTED] Shareholders". The sole activity of your organization is to build and maintain boat docking facilities for your members. You conduct an annual membership meeting.

Membership is restricted to property owners in the prescribed area known as [REDACTED]. Each member is required to "invest" \$[REDACTED]. For this investment, the member receives an assigned boat dock at a marina which has been developed for exclusive use of the members. The facility affords members the access to lake frontage, boating, swimming, water skiing, jet skiing and fishing.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

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Revenue Ruling 70-32, 1970-1 C.B. 132, provides that a flying club whose principal activity involves the ownership, operation, and maintenance of the aircraft for the use by its members but has little commingling among members for social or recreational purposes does not qualify for exemption under Section 501(c)(7) of the Code.

You do not qualify for exemption under Section 501(c)(7) because you are similar to the organization described in the above Revenue Ruling 70-32. Your principal activity is to provide docking facilities for your members which is beyond the scope of Section 501(c)(7). You do not have a significant social and recreational program that allows the commingling of your members as required by Section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1118.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service".

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 8018.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 8018